

USAID Workforce Development Strategies
The Workforce Diagnostic
A Global Methodology
EXECUTIVE SUMMARY – DRAFT

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The Pivotal Question

What factors account for worker productivity and job growth?

From Brazil to Moldova, countries throughout the world expect to see at least 25% of their population enter the workforce every year. With unemployment levels already above 15% and 20%, and many of these economies mired in recession, a crisis in youth unemployment is looming, threatening to further destabilize markets and reducing prospects for growth.

Macroeconomic policies matter. The “enabling environment” for business — loosening bureaucratic restrictions, sweeping away rules that promote insularity, promoting policies that encourage risk-taking entrepreneurs, while minimizing the costs of failure — these are all part of the success formula.

But research also indicates that policies that promote workforce flexibility, adaptability and innovation are at the heart of productivity and job growth. Actions that support the development of an adaptable workforce, with the skills necessary to support the dynamic requirements of a competitive economy, are critical to an industry’s ability to build and sustain competitiveness in the global marketplace. Market growth, political stability, and prosperity require workforce development strategies that are inclusive and equitable, opening new opportunities for groups such as women, ethnic minorities, and the poor.

What programs will foster and promote workforce flexibility and adaptation? How can industry and educational authorities cooperate to create relevant training programs and opportunities? What role can governments, industry, educators, and NGOs play in the development of relevant and sustainable workforce development strategies? What mechanisms are needed to broaden access to these programs and opportunities?

The Workforce Diagnostic: Linking Workforce Development to Competitiveness

The Workforce Diagnostic is a tool designed to help policy-makers, educators, and industry stakeholders understand how competitiveness and workforce development are linked in a sector. It is a tool to generate productive dialogue among the stakeholders, leading to actions and commitments that strengthen the linkages between the needs of industry and workforce development policies, to the benefit of both.

The Workforce Diagnostic is:

- Focused on industry clusters
- Self-winding
- Flexible and adaptable to local needs

Focused on Industry Clusters

Just as countries are diverse, the workforce development issues will vary throughout a country. As a result, the Workforce Diagnostic does not analyze the entire economy. Rather, it focuses on distinct industry clusters that share common characteristics.

An industry cluster is a collection of interconnected companies and institutions that rely upon one another to achieve and sustain competitiveness. An industry cluster, therefore, contains not just

industry cluster. This shared vision sets the stage for stakeholders to initiate actions that support the overall competitiveness of the industry cluster.

The Diagnostic process can be visualized as an evolving spiral. The spiral consists of four **stages**. Once the final stage has been completed, the first begins again. However, stakeholder participation is crucial in each stage. All of the stages employs a specific set of analytic and dialogue management **tools**. Each stage produces an **output**. The output from one stage provides the basis on which the subsequent stages will be built. (See Figure 2, Dynamic Workforce Diagnostic).

Flexible and Adaptable to Local Needs

The Workforce Diagnostic is a flexible methodology. Depending on the current strength of the cluster, and the amount of analytical work already carried out in a country, the Workforce Diagnostic methodology allows for flexibility in terms of the type of analytic and dialogue management tools that are applied and the work undertaken at each stage.

For example, some clusters may have completed a separate in-depth analysis of each of the four aspects of workforce competitiveness outlined in *Figure 1*. What is lacking may be the ability or initiative to put the findings of these various research efforts together into a compelling set of discussion points, with the ultimate objective of generating industry-training provider dialogue on specific workforce development actions. In this case, the Workforce Diagnostic may start by reviewing and simply updating assessments carried out previously, and move directly into the Envision stage, in which much of the dialogue takes place. It then incorporates the findings from the analysis into a strategy for raising industry-training provider and other stakeholder awareness, and establishing stakeholder commitment to that workforce strategy.

The four stages in the Workforce Diagnostic, and the analytic and dialogue management tools that are part of each stage, are described briefly below.

Explore

The objective of the **Explore** stage is to identify the issues and clusters in which the Workforce Diagnostic process will focus. Sample tools used in this stage will include primary and secondary research in an attempt to answer the following questions. Listed under each question are examples of issues that may result from this research.

- ***What are current trends and issues in the country affecting competitiveness?***
Industry retrenchment, population booms, unemployment crisis, wars, etc.
- ***What are current workforce development issues?***
Policies, legislation, trade, legal implications, new funding, shifts in employees, portability of skills, curriculum changes, equity initiatives, wage structures, etc.
- ***Who is talking and thinking about workforce development issues?***
Thought leaders, community leaders, stakeholders in government, industry, labor unions, educational institutions, NGOs, PVOs
- ***What clusters meet the workforce criteria?***
Potential for job creation, politically feasible, willingness of stakeholders, etc.
- ***Do these issues and clusters have critical enabling factors?***
Political will, economic need, demand, desire for institutional change
- ***What are the appropriate clusters and issues to include in the Diagnostic process?***
Which of these issues are realistic and doable?

The primary output at the end of this stage is an **agreement of scope**. This output designates the clusters of focus and identifies the pertinent issues for the remainder of the Workforce Diagnostic. It should also delineate the remaining outputs and deliverables, identify the critical stakeholders, and serve as a formal approval by financial backers of remaining tasks in the Workforce Diagnostic.

Examine

During the **Examine** stage, the objectives are to (a) determine the workforce development requirements to gain and sustain competitiveness; and (b) evaluate how industry needs are presently being met. Throughout the Examine stage, the Workforce Diagnostic attempts to answer the following questions:

- ***What are the characteristics and quality of the cluster's present workforce development programs?***
Communication and co-operation level among stakeholders
- ***What are some examples of present success stories within the cluster?***
Organizations that have successful / quality programs
- ***What workforce development actions are necessary to gain and sustain competitiveness?***
Skills development, increased technology training, job creation, hiring equity
- ***How does the labor force acquire the characteristics industry needs in order to sustain competitive advantage?***
Curriculum responsive to market, continuing education in the workplace
- ***How do political, social, and economic factors affect the competitiveness of the clusters?***
Help or hinder competitiveness
- ***What are the dynamics of the present stakeholder relationships and how do they affect workforce development?***
Working together, efficient, lack of communication, bureaucratic, barriers or constraints

The sample tools used to answer these questions might include survey instruments, best practice benchmarking, contact groups, linkage analysis, and causal mapping. The final output of the Examine stage is a **workforce development map**. This map identifies present workforce characteristics required by the cluster(s) and outlines factors affecting the development of these characteristics such as employer practices, educational or training establishment policies and practices, and stakeholder linkages and governance structures.

Envision

Through increased stakeholder dialogue, the objective of the **Envision** stage is to share information from the analysis of the workforce development elements with stakeholders and agree upon actions for promoting workforce development in a manner that enhances competitiveness. Through this dialogue, the Envision stage pushes for answers to the following questions:

- ***What are the stakeholders' common strategic priorities?***
Short-term vs. long-term; some not always quickly resolvable
- ***What actions will stakeholders commit to? Can we develop action plans to achieve common goals?***
Digestible actions that stakeholders can tackle and see results
- ***Who will lead these commitments and actions?***
Identify cluster stakeholders that will fulfill leadership roles
- ***What is the institutional setting available to take development forward?***

Where in the political agenda can workforce development be inserted?
How is this best done? Who needs to participate?

This stage is informed by the outputs of previous stages and uses strategic retreats to reach its final output – an **action vision**. This is an agreement on the analysis of the workforce development elements (the strengths and weaknesses of linkages pointed out). The action vision should build consensus on what are the stakeholder workforce development priorities in a cluster.

Engage

The last stage of the Workforce Diagnostic is the **Engage** stage. Its objective is to secure stakeholders' commitments to implement the action plans that will further workforce development and build competitive advantage. In this stage, the Workforce Diagnostic attempts to answer the following questions:

- ***Who will be responsible for actions?***
Government, labor, industry, workers; the specific person
- ***How will actions be institutionalized?***
Policies, laws, committees; timeframe for implementation of commitments
- ***How will the stakeholders know when an action has been successfully implemented?***
Performance measurement indicators, appropriate benchmarks
- ***How can external organizations support and monitor the process?***
Donors, NGOs, PVOs as financial supporters, monitors, or in data collection and analysis

The Engage stage uses strategic retreats, consultative groups, and performance measurement to create an output of **specific action commitments**. These commitments can be both long-term and short-term. Long-term commitments will be implemented over a significant timeframe, while short-term commitments will vary based on the clusters studied in the Workforce Diagnostic. Short-term commitments might include RFPs, implementation reports, recommendations on governance structures, or financial commitments. The goal is to produce commitments and results that will start the Workforce Diagnostic over again in a changed, more competitive environment.